

Message Text

LIMITED OFFICIAL USE

PAGE 01 NAIROB 05377 291528Z

ACTION AF-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 PC-01 AID-05 EB-08 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04

SIL-01 /089 W

-----301232Z 053018 /45

R 291325Z APR 77

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 7846

INFO AMEMBASSY DAR ES SALAAM

LIMITED OFFICIAL USE NAIROBI 5377

E. O. 11652: N/A

TAGS: MPOL, EAID, ECON, EFIN, KE

SUBJ: FY 1977 SUPPLEMENTARY BUDGET, IMPACT ON ECONOMY

REF: (A) NAIROBI 4952, (B) 76 NAIROBI 6345

1. KENYAN SUPPLEMENTAL BUDGET TABLED BY FINANCE MINISTER MWAI KIBAKI APRIL 20 WILL, IF PASSED IN ENTIRETY, ADD FOLLOWING AMOUNTS TO EXPENDITURES FOR CURRENT KENYAN FISCAL YEAR (JULY 1, 1976-JUNE 30, 1977): 26 MILLION KENYAN POUNDS FOR RECURRENT EXPENDITURES, 11.6 MILLION POUNDS FOR DEVELOPMENT, 7.7 MILLION POUNDS FOR APPROPRIATIONS-IN-AID. ONE KENYAN POUND EQUALS TWO DOLLARS FORTY CENTS. TOTAL SUPPLEMENTARY IS 45.3 MILLION POUNDS OR 109 MILLION DOLLARS.

2. OF THIS AMOUNT PARLIAMENT APPROVED 22.5 MILLION POUNDS FOR DEFENSE SAME DAY.

3. DEFENSE SUPPLEMENTARY RAISED DECLARED DEFENSE SPENDING FOR KENYAN FY 1977 FROM 47 MILLION DOLLARS TO 101 MILLION DOLLARS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NAIROB 05377 291528Z

4. TREASURY OFFICIAL TOLD EMBOFF THAT ADDITIONAL DEFENSE EXPENDITURES WILL BE FINANCED IN PART THROUGH WIDENING OF DEFICIT AND BORROWING FROM BANKING SYSTEM. DEFICIT FORECAST IS NOW 48 MILLION POUNDS VERSUS EARLIER ESTIMATE OF 11 MILLION POUNDS. TREASURY OFFICIAL BELIEVED THAT DEFENSE SUPPLEMENTARY HAS ALREADY BEEN SPENT.

5. REGARDING IMPACT OF SUPPLEMENTARIES ON ECONOMY, AND IN PARTICULAR EXTERNAL DEBT BURDEN, KENYA'S DEBT SERVICE RATIO (EXCLUSIVE OF EAST AFRICAN COMMUNITY OBLIGATIONS) IS NOW ESTIMATED AT 3PERCENT. KENYA CALCULATES ITS DEBT-SERVICE RATION ON GOVERNMENT AND GOVERNMENT-GUARANTEED DEBT NOT PRIVATE BORROWING. IF COFFEE PRICES HOLD UP, TREASURY EXPECTS THAT DEBT-SERVICE RATION MAY ACTUALLY DECREASE RATHER THAN GO UP OVER NEXT 2 OR 3 YEARS, DESPITE DEFENSE SPENDING. LATER, HOWEVER, BULGE IN AMORTIZATION PAYMENTS COULD PUSH DEBT-SERVICE RATION UP TO 8 PERCENT OR THEREABOUTS BY EARLY 1980'S.

6. INTERNALLY, WIDENING OF BUDGET DEFICIT IS OF SOME CONCERN BECAUSE INFLUX OF REVENUES FROM COFFEE IS ALREADY STOKING INFLATION. TREASURY OFFICIAL THINKS KENYA COULD RETURN TO 15 PERCENT LEVEL BY END OF CY 1977. FIGURE FOR MARCH 1976 TO MARCH 1977 WAS ONLY 9 PERCENT. RECENT LEGISLATED INCREASES IN FOOL AND PETROL PRICES WILL ALSO CONTRIBUTE TO COST-OF-LIVING HIKE. GENERAL WAGE INCREASE OF PERHAPS 6 PERCENT IS EXPECTED TO RESULT FROM CURRENT NEGOTIATIONS BETWEEN KENYA GOVT AND TRADE UNIONS OVER RAISING OF MINIMUM WAGE.

7. EMBASSY HAS STATED THAT ECONOMY CAN ABSORB ADDITIONAL BURDEN FOR DEFENSE. IT IS NOT SURPRISING THAT IMPACT OF MILITARY PROGRAM NOW BEGINNING TO BE FELT. IN STATISTICAL TERMS, DECLARED DEFENSE SPENDING AS PERCENTAGE OF TOTAL BUDGET HAS RISEN FROM ABOUT 5 PERCENT TO 9 PERCENT WITHIN FY 1977. AS MILITARY PROGRAM FURTHER UNFOLDS, SOME SHIFT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NAIROB 05377 291528Z

FROM ECONOMICALLY PRODUCTIVE SPENDING IN SECTORS SUCH AS AGRICULTURE TO LESS PRODUCTIVE AREA OF DEFENSE IS INEVITABLE.

DECONTROL 4/29/78.
LINDSTROM

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUPPLEMENTAL BUDGET, GOVERNMENT EXPENDITURES
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NAIROB05377
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770152-0114
Format: TEL
From: NAIROBI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977045/aaaaadje.tel
Line Count: 102
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 69d8cba3-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 NAIROBI 4952, 76 NAIROBI 6345
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2783607
Secure: OPEN
Status: NATIVE
Subject: FY 1977 SUPPLEMENTARY BUDGET, IMPACT ON ECONOMY
TAGS: MPOL, EAID, ECON, EFIN, KE
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/69d8cba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009